

ETHANOL IN KANSAS

Growth industry

Ethanol production is increasing rapidly, giving agricultural states a big boost in income and creating thousands of jobs



Mike Hutmacher/The Wichita Eagle

Lab technician Anita Kraus runs an experiment in the ethanol research lab at ICM in Colwich. Technology has made the process more efficient and has attracted new investment.

BY PHYLLIS JACOBS GRIEKSPoor
The Wichita Eagle

David Vander Griend, president of ICM in Colwich, calls ethanol “the best thing to happen to agriculture since the combine.”

Make that the best thing to happen to the economy of agricultural states — including Kansas — and you might be closer to the mark, say analysts who are tracking the exponential growth in ethanol production and the money it generates.

A study by the research organization LECG found ethanol contributed \$32.2 billion of gross output to the U.S. economy in 2005 and created

153,725 jobs. That is projected to grow to \$83.1 billion and 203,879 jobs by 2015.

Kansas is a significant player in the industry’s growth. Of 34 plants under construction nationwide, four are in Kansas.

Ethanol production in Kansas reached 215 million gallons this year, with the addition of the state’s eighth plant, at Phillipsburg.

The four plants under construction will add another 225 million gallons a year. Fourteen more plants in the planning stages could generate at least another 500 million gallons, pushing production in Kansas to almost 1 billion gallons a year.



MORE ABOUT ETHANOL, 9C

■ A map of current ethanol plants in Kansas, those under construction and facilities in the planning stages

■ A graphic showing U.S. ethanol production

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"I don't see an end in sight for ethanol demand," said Bob Whiteman of Ethanol Products, a Wichita company that markets ethanol and ethanol byproducts.

Plants get bigger

Ethanol, which can be made from corn, grain sorghum or other crops, is used as a gasoline additive. Blending ethanol with gasoline, or diesel fuel, helps stretch U.S. oil supplies and reduces the need to import oil. Ethanol also provides another market for farmers.

The rapid increase in projected ethanol production comes from the fact that new ethanol projects are much bigger — thanks to better-financed investors and advances in technology — than projects of the past.

A typical plant as little as two years ago produced 40 million gallons a year. Those on the drawing board — including a second Abengoa plant in Colwich — will produce 100 million gallons.

Other 100 million gallon plants are being proposed in Finney, Cloud, Grant, Haskell and Ford counties.

"It is possible that some of these projects won't be built," said Greg Krissik, director of government affairs for ICM, one of the world's leading designers and builders of ethanol plants.

"Bankers will actually fund two or three out of every 10 projects presented to them. But the number that will be built is impressive."

Lucrative investment

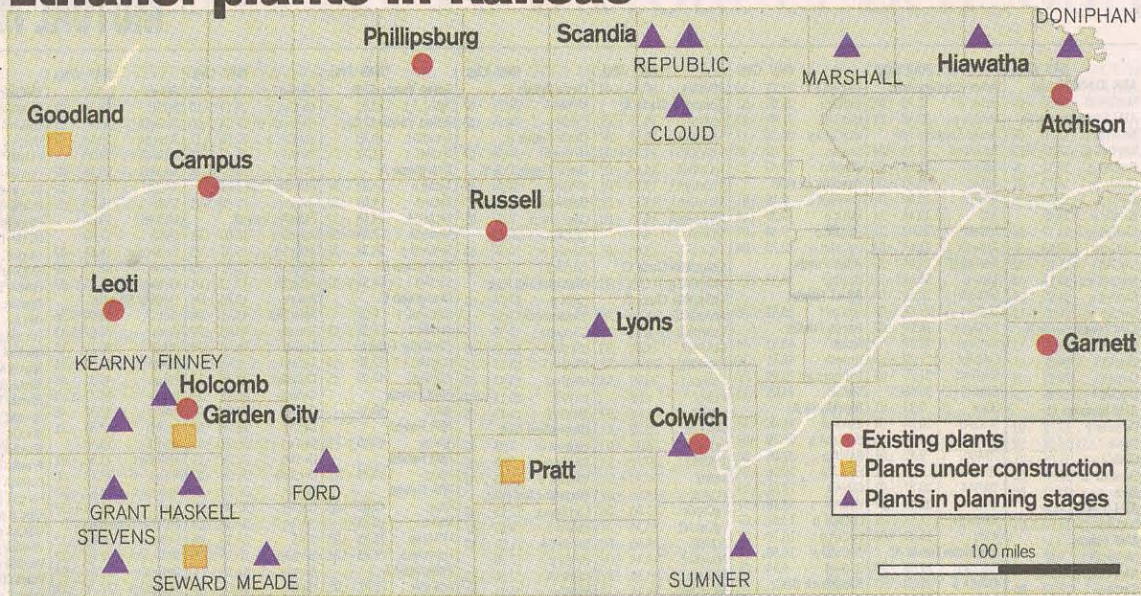
Technology improvements have made larger and larger projects feasible and that in turn is attracting new investors, said Whiteman, of Ethanol Products.

It was that dynamic that persuaded Wichita-based Tramco, a maker of grain handling conveyor systems, to get involved.

This year, Tramco created Everton Energy and is raising capital for a 110 million gallon ethanol plant in Cloud County. Everton plans to break ground in the second quarter of 2007; ICM will build the plant.

"We've been watching a constant tweaking of the process, making it less expensive and more efficient," said Tramco's

Ethanol plants in Kansas



The Wichita Eagle

Steve Cloud. "The political climate is right with both parties fully supportive of renewable fuels. It seemed like the ideal time to get involved."

President Bush has been a supporter of biofuels. His 2005 energy bill requires that 7.5 billion gallons of ethanol or biodiesel be part of the country's fuel supply by 2012.

Gov. Kathleen Sebelius, chairwoman of the Governors' Ethanol Coalition, said her group is pushing for ethanol to constitute 25 percent of the nation's fuel supply by 2025. It's now about 3 percent.

That type of political support will likely help sustain the current growth.

"It seems like new projects pop up every week," said Jesse McCurry, who was recently hired by the accounting firm Kennedy and Coe because of his expertise in biofuels. Clients in the biofuels industry represent the fastest-growing segment of the company's business, McCurry said.

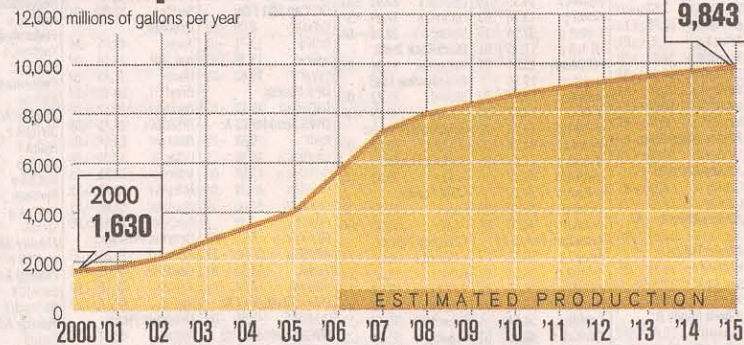
"One thing people don't immediately realize is the number of supporting services jobs being created as this industry grows larger and more complex," he said. "The need for skilled accounting, consulting and legal advice is increasing rapidly."

Limiting factors

ICM's Krissik said there are two major limiting factors in how big the Kansas industry can grow: access to adequate supplies of grain and a reliable supply of water.

Both could be significant, especially in arid western Kansas.

Ethanol production in the U.S.



Water shortages this summer caused significant concern for the city of Russell, where White Energy has a 50 million gallon ethanol plant. At one point, the plant was using 60 percent of the city's daily water consumption, and city officials asked plant operators to reduce consumption by 20 percent.

The plant was able to locate an alternate water supply from a rural water district, but the crisis was large enough to concern city residents and officials.

"It got pretty tense," said Russell County economic development director Gordon Pfannenstiel. "If they hadn't been able to find water elsewhere, I don't know what would have happened."

Industry researchers are addressing the challenge. Technology improvements have enabled plants to consume less water than they once did, said ICM's Vander Griend.

"We're working steadily toward reducing consumption significantly," he said.

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